

## ANALYSIS

### Item 41: Department of State Lands Land Administration System Replacement

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**Analyst:** Wendy Gibson

**Request:** Increase Other Funds expenditure limitation by \$4,100,000 for the expenditure of Common School Funds on the implementation of the Land Administration System Replacement Project.

**Analysis:** The Department of State Lands (DSL) started the process of replacing its legacy information technology system in 2014. The system, known as the Land Administration System (LAS), is an unsupported, end-of-life product over 20 years old. DSL worked with the Department of Administrative Services Enterprise Information Systems to develop a business case and move through the State Gate oversight process for developing a replacement system. The Department contracted with Public Knowledge for independent project oversight and North Highland for project and organizational change management support.








The replacement project reached Stage Gate 3 approval in 2022, and DSL selected a vendor, Visionary Integration Professionals, to begin developing the new Oregon Water and Land Stewardship (OWLS) system. When the business case was approved, DSL estimated the replacement system would cost \$6.7 million to implement and \$850,000 annually to maintain. The estimated project costs have grown to over \$16 million. The increase is due to adding 19 months to the project schedule, which extends the duration of expenses for vendor contracts and internal resources. According to DSL, no adjustments were made to the project scope.

The business case for development centered on the DSL's need to offer web-based tools for customers to manage their interactions with the Department. The project scope includes creating streamlined workflows and a customer service portal for permits and leases. The replacement system will also have management reporting tools for the Department's programs. In working with the vendor, DSL reports the initial schedule was determined to be inadequate for completing the full scope of the project.

The steering committee considered multiple options to reduce the cost, including reducing the project scope by simplifying the online customer submission forms to the minimum level and excluding the South Slough Reserve and State Lands Inventory System from the project. Regardless of the project scope, additional funding is required to complete the system development. In September 2023, the steering body approved the revised schedule and extended the OWLS launch date from March 2024 to October 2025. DSL states the extended project schedule will allow the vendor to develop the system fully without reducing the project scope.

DSL estimates the revised schedule will increase the project's total cost to \$17.2 million; however, the revised spend plan does not account for the variance between estimated expense and realized expense. After adjusting the spend plan to account for the 17% savings in the first three biennia, the estimated total project cost is \$16.2 million, a 50% increase over the original plan. Reducing the project scope would lower the total project costs by \$1.2 million.

## Updated Project Cost Estimate

Biennium	Original Spend Plan	<b>REVISED</b> Spend Plan	<b>ACTUAL ESTIMATED COST*</b>	Actual Estimated Cost* compared to Original Spend Plan	
				Rolling Variance	Rolling % Change
2017-19	507,304	507,304	507,304	-	0% 
2019-21	907,206	907,206	818,742	(88,464)	-6% 
2021-23	4,484,284	4,484,284	3,557,925	(1,014,823)	-17% 
2023-25	4,885,499	8,890,308	8,890,308	2,989,986	28% 
2025-27	-	2,417,862	2,417,862	5,407,848	50% 
<b>TOTAL COST</b>	<b>\$ 10,784,293</b>	<b>\$ 17,206,964</b>	<b>\$ 16,192,141</b>	<b>\$ 5,407,848</b>	<b>50%</b> 
<b>LAUNCH DATE</b>	<b>March 2024</b>	<b>October 2025</b>	<b>October 2025</b>		<b>19 months</b> 

\*Actual expenses as of October 2023 with planned expenses for 2023-25 and 2025-27

The OWLS project is nearly 40% of the way through implementation. The Department offers assurances of its commitment to the project and certainty that the revised spend plan is the final adjustment to the project's price tag. Nonetheless, the risk of a future increase will remain until completing the final stage of the project.

DSL has been allocated over \$10 million from the Common School Fund to develop the OWLS system. The Department's letter requested \$4.1 million in additional funding to complete the work scheduled during the 2023-25 biennium. Due to a calculation error, the amount increased to \$4.5 million.

Revised 2023-25 funding need	8,890,308
Funding allocated in 2023-25 LAB	4,444,138
<b>Remaining 2023-25 funding needed</b>	<b>\$ 4,446,170</b>

DSL intends to submit a policy option package during the 2025-27 budget development process to request the final \$2.4 million needed to complete the project.

**Recommendation:** The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$4,446,170 in the Other Funds expenditure limitation for the Department of State Lands in a budget reconciliation bill during the 2024 legislative session for the expenditure of Common School Funds on the implementation of the Land Administration System Replacement Project.

**Request:** Increase Other Funds expenditure limitation by \$4,100,000 to complete the Land Administration System replacement project.

**Recommendation:** Approve the request during the 2024 Legislative Session with the following modification: Increase Other Funds expenditure limitation by \$4,446,170 to complete the Land Administration System replacement project.

**Discussion:** The Department of State Lands (DSL) is in the implementation phase of the Land Administration System (LAS) replacement project, currently through Stage Gate 3. During the implementation process, it was determined the initial schedule for completing the project, as defined by the scope of the project parameters, would need to be extended and revised. The project team and agency governance committee approved supporting the need to adjust the project schedule and budget and not change the scope of the project. The agency's project team along with project vendors presented the need for the changes in multiple meetings, where the Chief Finance Office analyst, Enterprise Information System project oversight team and the Legislative Fiscal Office oversight team actively attended.

The original estimated deployment date and project close-out date were scheduled for March 2024. The new deployment date is October 2025, with a project close-out date of December 2025. Due to the changes in the schedule, the revised project budget is projected to increase by \$4.4 million. The additional limitation in this request would cover contractor costs for the project management, organizational change management, independent oversight, and the implementation vendors through June 2025.

The agency's original request for an increase in expenditure limitation was inadvertently miscalculated by a \$346,170. The agency realized the mistake and supplied a corrected total amount after submission of the original request letter.

**Legal Reference:** Increase Other Funds expenditure limitation established by chapter 459, section 1(1), Oregon Laws 2023, for the Department of State Lands, Common School Fund programs, by \$4,446,170 for the 2023-25 biennium.



# Oregon

Tina Kotek, Governor

## Department of State Lands

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### State Land Board

Tina Kotek

Governor

December 4, 2023

Senator Elizabeth Steiner, Co-Chair  
Representative Tawna Sanchez, Co-Chair  
Interim Joint Committee on Ways and Means  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301

LaVonne Griffin-Valade

Secretary of State

Tobias Read

State Treasurer

Dear Co-Chairs:

### **Nature of the Request**

The Department of State Lands (Department) respectfully requests an expenditure limitation increase of \$4,100,000, Other Funds to complete the Land Administration System (LAS) Replacement Project.

### **Agency Action**

The LAS originally went into service in 1999 and reached the end of its lifecycle and became unsupported more than a decade ago. The project met the Enterprise Information Systems oversight requirements and received a Stage Gate 3 endorsement in August of 2022. The implementation phase was funded during the 2023 Regular Session (Agency Policy Option Package 105). The project contributes to meeting multiple Strategic Plan goals, particularly Exceptional Service, as well as Key Performance Measures that track response and resolution times, and customer satisfaction ratings.

During the implementation phase, the Department has begun to develop the system with the vendor Visionary Integration Professionals, continued the contract with North Highland for Project Management and Organizational Change Management, and Public Knowledge for independent oversight. New workflows are being configured in the new system to streamline processing of permits, leases, and management of wetlands.

The current project schedule was determined inadequate to complete the development while retaining the current scope of the project. The agency leadership in consultation with the project steering committee agreed that keeping the project scope as planned and extending the duration of the project was the best course of action. This timeline extension increases the total cost of the project due to increased development, project management, and oversight resources required to complete the project. The project is on schedule to deploy the software in October of 2025 and the project to close by December of 2025.

Strong support from the Department's leadership, stakeholder engagement and helpful oversight throughout the implementation have contributed to the project success so far. The Department is ready to build on this to complete its replacement of the Land Administration System (LAS).

This request will enable the agency to continue the implementation phase of the project with the Project Management, Organizational Change Management, Independent oversight, and implementation vendor through June 30, 2025. The project is estimated to be completed in late 2025.

#### **Action Requested**

Approve an increase in Other Funds expenditure limitation of \$4,100,000 in the 2023-25 biennium.

#### **Legislation Affected**

*Chapter 459, Section 1 (1), Oregon Laws 2023*

Thank you for your consideration of our request. If you have any questions, please contact Jean Straight at 503-689-3957.

Sincerely,



Vicki L. Walker  
Director

CC: Michelle Lisper, Chief Financial Office  
Wendy Gibson, Legislative Fiscal Office  
Geoff Huntington, Governor's Natural Resource Policy Analyst  
Bill Ryan, Deputy Director-Operations  
Jean Straight, Deputy Director-Administration